1502220000015 9/ 5/83 0471LE
CONGRESSIONAL INFOR SREV SRI
SUSAN GARNER
4520 E. WEST HIGHWAY
BETHESDA MD 20814

P-21 Supplement

C0175-1


# American Banker

*The Only Daily Banking Newspaper*

VOL. CXLVII NO. 226 | Friday, November 19, 1982 | 147th Year


## Fed Approves Sharp Increase In Clearing Fees

By LISA J. Mc CUE

WASHINGTON — The Federal Reserve Board adopted a new fee schedule for automated clearing house services that is supposed to recover 40% of the cost of the Fed's service. The new fees are almost two and one-half times higher than last year's rates.

The agency is required under 1980 Monetary Control Act to price services over time at levels that would fully recover the cost of providing them. According to a document, the Fed intends to have its prices equal to its costs by 1985.

The agency's Board members and staff are hopeful that large increases — such as the dramatic one adopted Thursday — will not be necessary in future years, according to staff.

If the volume of business done by the Fed's clearing house system increases enough, the rate schedule could decline

➤➤ Fed: Page 12

## Chase Leads in US Correspondent Funds; Foreigners Put $11.4 Billion in Banks Here

By L. MICHAEL CACACE

NEW YORK — Chase Manhattan Bank NA surpassed Manufacturers Hanover Trust Co. as the bank having the largest amount of domestic correspondent deposits at midyear.

The American Banker's annual correspondent survey published today shows Chase with $842 million in such deposits.

Manufacturers Hanover, which had ranked number one since 1978 and was first in seven of the previous eight years, dropped to third position with $810 million in these deposits. First National Bank of Chicago jumped up eight places to rank second, with $814 million in these deposits on June 30.

Domestic correspondent balances are the sum of demand deposits due mutual saings banks and other U.S. commercial banks, including the foreign branches of these banks. Data for the tabulation are derived from banks' report of condition, or call reports, for the bank and its domestic branches. Only domestic commercial banks are surveyed.

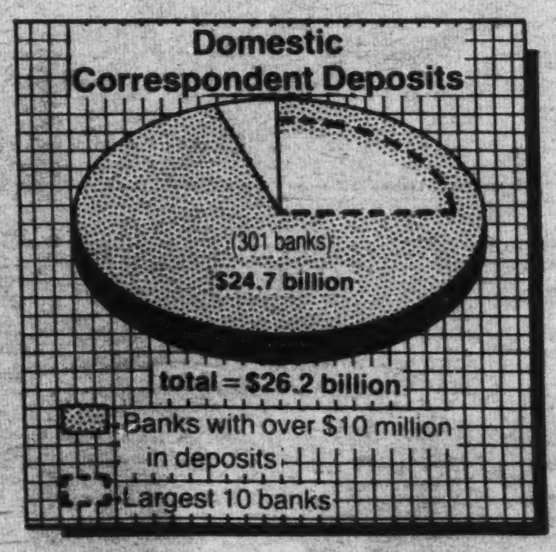
An important finding of the survey is that domestic correspondent balances are much lower than previous survey data indicated, and for the first time this year, American Banker has a better measure of the size of these balances in aggregate and for each bank.

For example, there were 301 commercial banks with $10 million or more in domestic correspondent balances on June 30. And these balances totaled $24.6 billion, down 44% from $43.9 billion a year earlier. (The 1981 total has been restated to conform to the new definition of domestic correspondent balances adopted this year.)

**Same-Day Settlement**

The major reason for the improvement in the data and for the sharp drop in those deposits was the movement, on Oct. 1, 1981, to same-day settlement by the Clearing House Interbank Payments System, or CHIPS. Prior to Oct. 1, settlement of uncollected funds was

➤➤ Domestic: Page 2




NEW YORK — Foreign banks placed $11.4 billion in deposits with United States banks for correspondent services.

This year's figures are the most accurate gauge ever of the level of correspondent balances due foreign banks because of the removal of several distortions that formerly appeared in the data.

Foreign correspondent balances are the sum of demand deposits due foreign governments and official institutions, demand deposits due the U.S. branches and agencies of foreign banks, and demand deposits due banks in foreign countries. These deposits in the bank and its domestic subsidiaries plus its U.S. Edge Act banking offices are included.

The major reason for the significant improvement in the data is that on Oct. 1, 1981, the Clearing House Interbank Payments System, or CHIPS, changed

➤➤ Foreign: Page 2

## 'Money Market' Pitches Vary on Coast

By GEOFF BROUILLETTE

SAN FRANCISCO — Major California financial institutions — some of which have been advertising and even signing up customers for the new money market accounts in the past three weeks — have been taking significantly different approaches in their pre-Dec. 14 marketing strategies.

Some, including the state's two largest banks, have simply been advertising heavily to keep customers from moving to competitors. Several have been aggressively promoting repurchase-agreement "bridge" accounts, which will automatically be converted into the new account on Dec. 14.

With but one exception, none are willing to reveal an exact formula for the interest to be paid on the accounts when they become available.

The one exception is Home Federal Savings and Loan Association, San Diego, which has taken out full-page two-color ads in major Southern

➤➤ California: Page 13

## INSIDE


**Brokered Funds Penn Square**
Brokered funds at the failed Penn Square Bank rose from less than $20 million in Jan. 1982 to more than $282 million just before the bank was declared insolvent.....3

**FASB Acts on Interest Futures**
The Financial Standards Accounting Board made tentative decisions on issues pertaining to bookkeeping rules for futures.....3

**Painless Asset-Liability Plan**
Bedeviled with an asset-liability mismatch? You can swap it away, says financial editor Sanford Rose: COMMENT.....4

**USLSA Impresses Rival Lobbies**
The President's odyssey to New Orleans to address the U.S. League of Savings Associations proves what many bank lobbies long suspected: The S&Ls have the pipeline to this White House: WASHINGTON BANK NOTES....4

Bank Stocks.....6

Personal Interest.....8

End-of-the-Week Crossword.....8

Required Reading.....14

Calendar of Events.....42


## Correspondent Banking Annual

Recent changes in Fed pricing, new services, and problem upscale loans have all rocked correspondent banking's "gentlemanly tradition." Competition has turned what once was a white-glove part of banking into a cutthroat race for new business and services.....17

**Side-by-side ATMs do a great job controlling traffic.**

"Dual units give our customers the convenience of faster, completely reliable service 24 hours a day, which makes for better relationships and enables us to handle the fast-growing ATM volumes we're experiencing. They also help ease traffic at some of our busier units in building corridors and lobbies where landlords and tenants really don't like the congestion that long lines can bring. Volumes at three side-by-side installations we currently have at Pennsylvania Station, Grand Central Station and the World Trade Center have more than doubled since the second units were added. Grand Central's Docutel Series 2300's have been averaging more than 20,000 transactions a month!"

Edward L. Coakley
Vice President — Metro Operations
Automated Delivery Systems
Chemical Bank

DOCUTEL Olivetti CORPORATION P.O. Box 222306 · Dallas, Texas 75222 · 214/258-8610

WITH ASSET-BASED FINANCIAL SERVICES . . .

**We Can Help You Help Your Client**

ACCOUNTS RECEIVABLE ☐ INVENTORY
EQUIPMENT ☐ FACTORING
IMPORT/EXPORT ☐ ACQUISITIONS

**SECURITY PACIFIC BUSINESS CREDIT INC.**

ATLANTA (404) 952-6518
CHICAGO (312) 782-9044
CLEVELAND (216) 241-4470
DALLAS (214) 747-2260
DETROIT (313) 355-2266
LOS ANGELES (213) 304-3276
MINNEAPOLIS (612) 339-7711
NEW YORK (212) 826-3000
SAN FRANCISCO (415) 445-4309
SAN JOSE (408) 998-7556

SUBSIDIARY SECURITY PACIFIC CORPORATION

# Chase Passes Hanover in Domestic Correspondent Deposits

Continued from page 1

not made until the next day. (For more details on CHIPS, see the story on foreign correspondent balances which begins on page 1.)

The effect of the change was to reduce the size of float in "demand deposits due U.S. banks." Current deposit data show that CHIPS float had been significantly higher than was previously estimated.

Prior to Oct. 1, 1981, estimates of the inflation of these deposits due to float had ranged from a low of 40% to a high of 60%. However, for the top seven New York clearing house banks, domestic correspondent balances, as a group, fell 78% to $4 billion at midyear from $18 billion on June 30, 1981. These banks — which are settling participants in CHIPS — are Chase, Manufacturers Hanover, Morgan Guaranty Trust Co., Chemical Bank, Citibank NA, Bankers Trust Co., and Irving Trust Co.

Chase, which had $4.7 billion in domestic correspondent balances on June 30, 1981, had an 82% drop to $842 million. It ranked second, based on the American Banker's new definition of these deposits. Manufacturers Hanover, which was the top bank in these deposits at midyear 1981 with $5.4 billion, had a drop of 85%.

The banks of the New York (Second) Federal Reserve District accounted for 88%, or $16.9 billion, of the $19.3 billion drop in deposits posted by the 301 banks in the survey.

### Definitional Change and Its Effect

The American Banker eliminated another major distortion in domestic correspondent balances this year when it redefined them to exclude the "demand deposits due U.S. branches and agencies of foreign banks," which were transferred to correspondent balances due foreign banks.

The new definition of domestic correspondent balances consists of the following demand deposit items from the deposit schedule of the federal regulatory agencies' Report of Condition, or call report: deposits due mutual savings banks; deposits due other U.S. banks; and deposits due the foreign branches of other U.S. banks.

Prior to Dec. 31, 1978, "deposits due U.S. branches and agencies of foreign banks" were not broken out separately but were included in "deposits due U.S. banks."

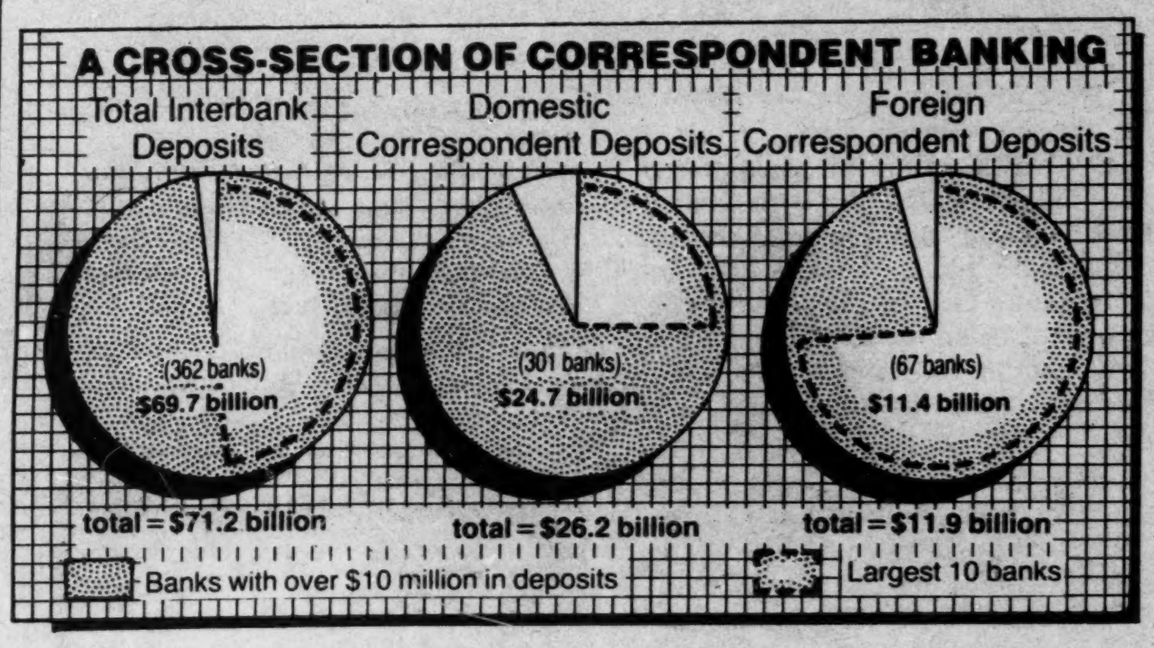
The elimination of the branch and agency deposits reduces domestic correspondent balances approximately 26% for New York banks and approximately 1% for banks outside New York.

The American Banker was able to measure the impact of the change in definition by restating the June 30, 1981, domestic correspondent balances for all banks with $10 million or more in such deposits on that date and then comparing these restated balances to the balances based on the old definition.

The table on page 13A, entitled "How Bankers' Balances Compare," shows these two sets of data for June 30, 1981, by Federal Reserve District.

For example, New York banks are in the Second District. On June 30, 1981, their domestic correspondent balances based on the new definition totaled $21.8 billion. This compares with $29.5 billion based on the old definition.

Thus, Second District balances were reduced 26.1% because of the changes in definition. Subtracting the New York Reserve District from the totals for all districts shows $22.1 billion in correspondent balances for all banks outside New York based on the new definition. This compares with $22.3 billion based on the old definition.




Similarly, by using the table on page 13A, one finds that, based on the new definitions, correspondent balances fell 77.44% in New York from June 30, 1981, to June 30, 1982. While for the banks outside New York, deposits fell only 10.9%, from $22.1 billion to $19.7 billion.

In summary, the movement to same-day settlement by CHIPS and the redefinition of domestic correspondent balances by the American Banker have removed two major distortions from the domestic correspondent banking data.

The New York clearing house banks and other banks in the Second District were the most affected. The removal of these distortions now enables us to measure more accurately domestic correspondent balances.

### One Problem Remains

However, one problem still remains. The American Banker looks at the top correspondent banks at one moment in time — June 30, 1982 — and compares them to another moment in time — June 30, 1981. There may be sizable movements in these deposits from day to day, and average deposits would be the best measure of these balances.

For example, on Sept. 30, 1982, First National Bank of Chicago was the top bank in domestic correspondent balances, with $968.5 million. It was followed by Manufacturers Hanover, with $933.1 million. And Chase had $871.1 million in these deposits on that date, to rank third.

### Trend Should Be Downward

Interviews with most of the nation's top correspondent banks indicate that there has been a substantial movement to "much more rational pricing" in the form of fees and at the expense of correspondent balances. Therefore, other things being equal, the trend in correspondent balances should be downward in the years to come.

Reinforcing this trend, the bankers say, has been the combination of high interest rates and advances in technology. High rates have caused respondents to attempt to minimize their balances at their correspondent banks. And advanced technology enables them to do so.

It also appears that bankers are viewing the correspondent banking market globally, rather than as two separate and segmented markets. As a result, the American Banker has developed a new table which lists the top 50 banks in correspondent balances due all banks, both domestic and foreign. This table

➤➤ Domestic: Page 7

# Foreign Correspondent Balances in US Banks at $11.4 Billion

Continued from page 1

its settlement of transactions between banks to a same-day basis from a next-day basis.

In addition, improvement in the measure of foreign correspondent balances was made when the American Banker redefined these balances this year to include "demand deposits due U.S. branches and agencies of the foreign banks." Previously, these deposits had been included in domestic correspondent balances.

Also, the American Banker includes for the first time the correspondent balances of banks that are held in their Edge banking offices. For banks outside New York, these balances are significant.

The effect of same-day settlement is to reduce the size of float in the "demand deposits due U.S. banks" category of deposits, which has two components: "demand deposits due other U.S. banks" and "demand deposits due the U.S. branches and agencies of foreign banks." (Domestic correspondent balances were also affected. For details see the accompanying story.)

At midyear, there were 99 active participants in CHIPS. Of the 99, 20 are settling participants. These 20 include the 12 New York City clearing house banks, five commercial banks outside New York, and three Edge Act corporations engaged in banking. Basically, CHIPS electronically transfers funds between participants for foreign customers. The bulk of the huge foreign trade, foreign exchange, and Eurodollar transactions is cleared through CHIPS. Prior to Oct. 1, settlement of uncollected funds was not made until the next day.

To measure the impact of the movement to same-day settlement by CHIPS on the data, the American Banker restated the June 30, 1981, data to conform to the new definition. It found that these balances plunged 54% from $24.5 billion at midyear 1981 to $11.4 billion on June 30, 1982, for the 67 banks with $10 million or more in the deposits on June 30.

The balances of the New York clearing house banks and Edge Act banking offices were most affected by the change in CHIPS settlement.

**The major reason for the significant improvement in the data is that on Oct. 1, 1981, the Clearing House Interbank Payments System, or CHIPS, changed its settlement of transactions between banks to a same-day basis from a next-day basis.**

### Deposits Off 88%

For example, eight of the 10 largest banks in foreign correspondent balances are New York clearing house banks; and as a group, their demand deposits due U.S. branches and agencies of foreign banks fell 88% from $7.6 billion to $914 million. These eight banks accounted for 51% of the total decline.

Also, of the 67 banks with $10 million or more in foreign correspondent balances, 41 had Edge Act banking subsidiaries. As a group, foreign correspondent balances in these Edge subsidiaries dropped 67% from $4.6 billion at midyear 1981 to $1.5 billion on June 30, 1982. Thus, the Edges accounted for 24% of the decline in foreign correpondent balances over the year ending June 30, and the Edges and the eight New York banks combined accounted for 75% of the decline.

The listing of the top banks in correspondent balances due foreign banks appears on page 10A. On page 12A, a list of 41 banks with Edge banking subsidiaries appears, along with the names of the Edges and the amount of correspondent balances in the Edges.

Manufacturers Hanover Trust Co., New York, supplanted Morgan Guaranty Trust Co., New York, as the largest commercial bank in the nation in correspondent balances due foreign banks on June 30, 1982, with $1.22 billion, down 56% from $2.77 billion a year earlier when it ranked third.

Morgan dropped from first to sixth place, with $874 million, down 78% from $3.97 billion a year earlier.

Bankers Trust Co., New York, jumped up to third place with $1.18 billion in these deposits, compared with $1.58 billion a year earlier when it ranked seventh.

The next four banks are all headquartered in New York. Chase Manhattan Bank NA was fourth with $1.12 billion; Irving Trust Co. was fifth with $890 million; Morgan was sixth; and Chemical Bank was seventh with $846 million.

Bank of America NT&SA, San Francisco, was eighth with $526 million in these deposits. According to the table on page 12A, its Edge, BankAmerica International, San Francisco, is the largest Edge in correspondent balances with $366 million, or almost 70% of the bank's total.

Wells Fargo Bank NA, San Francisco, was ninth with $378 million, with almost 85% of that total, or $318 million, located in its Edge subsidiary, Wells Fargo Bank International, San Francisco.

Marine Midland Bank NA, Buffalo, N.Y., was 10th with $281 million, compared with $290 million a year earlier when it ranked 12th.

As mentioned above, correspondent balances due foreign banks has been

➤➤ Foreign: Page 11

## Domestic . . .

Continued from page 2

appears on page 13A.

Based on this new measure of correspondent banking, on June 30, 1982, Manufacturers Hanover was the top correspondent bank with $2.03 billion.

It was followed by Chase with $1.97 billion, Citibank with $1.69 billion, and Morgan with $1.66 billion.

**Other Survey Findings, New Features**

• The largest bank in total interbank deposits — which are demand, time, and savings deposits due all banks — was the Bank of AmericaPNT&SA, San Francisco. It had $5.7 billion in these deposits.

• There were 362 banks with $10 million or more in total interbank deposits, and these deposits totaled $69.7 billion, or 97.9% of all interbank deposits held by all large and medium-size banks in the nation at midyear.

• This year, the correspondent banking tables are presented in a special 16-page insert, pages 1A-16A.

• A special "Guide to the Statistical Listings" appears on page 22. It describes the contents of each of the tables.

• There are nine tables, and three of these tables are new.

• Two of the new tables show the foreign correspondent banking balances in the Edge Act subsidiaries, while the third lists the top 50 banks in correspondent balances due all banks. ■

### City Savings Bancshares

ATLANTA — The Federal Reserve Bank of Atlanta has approved the application of City Savings Bancshares Inc., DeRidder, La., to become a bank holding company by acquiring City Savings Bank & Trust Co., DeRidder. ■

### Memory Bank

1. The American Bankers Association, as part of its drive for repeal of the law requiring withholding of taxes on interest and dividends, has set a short-term goal for the present. What is it?

2. The Justice Department's suit against Whitney National Bank in New Orleans on charges of sex and racial bias constituted a first. In what way?

3. The Federal Reserve Board, for financial reasons, rejected a bid by Central Bancorp. of Cincinnati to take over Union Commerce Corp. of Cleveland. If it is an "ill wind that blows nobody good," who appears to have benefited?

4. Former savings and loan executives at failed institutions were given something to think about by the Federal Home Loan Bank Board. What was it?

**Answers**

1. A six-month postponement of the Jan. 1 startup date for the withholding of taxes from pension and employee benefits. Nov. 15, 3:1.

2. It is the first Justice suit against a commercial bank charging violation of a 1965 Executive Order forbidding discrimination by any firm doing business with the federal government. Nov. 15, 1:3.

3. The denial clears the way for a Union Commerce acquisition by Huntington Bancshares of Columbus. Nov. 15, 1:1.

4. The Bank Board is preparing suits against individuals who will be charged with having either caused or benefited from the demise of the institution. Nov. 15, 3:3.

## Credit . . .

Continued from page 3

including a study of the feasibility of consolidation of the insurance agencies.

Mr. Callahan said he was opposed to this, too, because consolidation would mean "dual regulation" of credit unions. He recalled that years ago when credit unions were insured by the FDIC, the bank agency "misunderstood" credit unions "and would likely misunderstand them again."

"Credit unions do not like" the idea of insurance-agency consolidation, he said, and if the NCUA insurance study confirms this, "Congress should be told loud and clear."

The NCUA chairman said "risk rating" for insurance "needs a lot of dialogue," telling the meeting that credit unon insurance "isn't automobile insurance," where the premium necessarily increases with risk. Risk-rating plans would charge institutions more for deposit insurance if their assets were deemed more risky.

"I really don't know how (FSLIC) is going to do it" he said referring to a risk-rating idea in that agency.

NCUA board member Elizabeth F. Burkhart told the meeting that the two mandated studies revealed "loud and clear" that much credit union legislation doesn't come from credit unions.

Mrs. Burkhart abstained from a vote of the three-member board approving a reducton in 1983 fee assesments by 10% for credit unions up to $100 million in assets. She said she favored a larger cut for credit unions under $2 million in assets.

The board also took action to allow federal credit unions the option of increasing the par value of their shares above the current $5 limit, and making credit committees optional, and of designating whatever titles they choose for credit union officers. ■

## Equitable Plans Preferred Issue

BALTIMORE — Equitable Bancorp. here plans to redeem all of its 17½% debentures with the proceeds of an adjustable rate cumulative preferred stock issue.

The firm has called for the redemption of all of its outstanding 17½% debentures due July 1, 2002. Equitable said all interest will cease to accrue on the notes on the redemption date, Dec. 17.

Equitable has also filed with the Securities and Exchange Commission for an issue of 500,000 shares of the adjustable rate cumulative preferred stock. The stock will have a liquidation preference of $50 a share and will be offered through underwriters managed by Bear Stearns & Co. ■


When you're trading in money market instruments, look to Bank of America.

Why? Because we know the money market from top to bottom. Bank of America is a trader in virtually all capital and money market instruments permitted for banks.

We have the people and facilities to make most transactions or investments you're interested in. We can help you with government and municipal securities, for example. Plus almost every type of global investment, from repurchase agreements and certificates of deposit to acceptances, Eurodollars and Federal funds.

So whenever you need these or any other correspondent services, look to Bank of America. Call us in San Francisco at (415) 622-6909. In Los Angeles, at (213) 228-3288.

**Look to the Leader.™**

BANK OF AMERICA
Correspondent Banking Services

Bank of America NT&SA • Member FDIC
© Bank of America NT&SA 1982

# NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cover 1-p.2, 7, 11, 1A-15A,

22.